

STATE OF NEW JERSEY
CASINO CONTROL COMMISSION

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IN RE: :
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HEARING ON THE PETITION OF TRUMP :
PLAZA ASSOCIATES, TRUMP'S CASTLE :
ASSOCIATES, TRUMP TAJ MAHAL :
ASSOCIATES AND TRUMP HOTEL MANAGEMENT: :
CORPORATION FOR APPROVAL OF A :
TRANSFER TO BANKING INSTITUTIONS IN :
THE ORDINARY COURSE OF THEIR BUSINESS: :
OF SECURITY INTERESTS IN THE EQUITY :
OWNERSHIP OF CERTAIN CASINO RELATED :
ENTITIES AND FOR CERTAIN OTHER RELIEF:

Atlantic City Commission Office
Tennessee Ave and the Boardwalk
Atlantic City, NJ 08401
Tuesday, August 21, 1990
11:05 a.m.
VOLUME IV

B E F O R E:

VALERIE H. ARMSTRONG, ACTING CHAIR
W. DAVID WATERS, COMMISSIONER
E. KENNETH BURDGE, COMMISSIONER
FRANK J. DODD, COMMISSIONER
JAMES R. HURLEY, COMMISSIONER

PRESENT FOR THE CASINO CONTROL COMMISSION:

KAREN G. BIACHE, ADMINISTRATIVE ANALYST

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ON BEHALF OF THE DIVISION STAFF:

THOMAS N. AURIEMMA, DEPUTY ATTORNEY GENERAL
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ROBERT LATIMER, SENIOR AGENT

ON BEHALF OF THE TRUMP TAJ MAHAL ENTITIES

RIBIS, GRAHAM, VERDON & CURTIN, ESQS.
BY: NICHOLAS L. RIBIS, ESQ.
and
JOSEPH A. FUSCO, ESQ.

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1 MS. BIACHE: I would like to read an
2 opening statement.

3 "This is to advise the general public
4 and to instruct that it be recorded in the Minutes
5 that in Compliance with Chapter 231 of the Public Laws
6 of 1975, entitled the 'Open Public Meetings Act,' the
7 New Jersey Casino Control Commission at 4:04 p.m. on
8 August 17, 1990 hand-delivered to the Office of the
9 Secretary of State and caused to be posted on the
10 bulletin board located outside the Secretary of
11 State's Office at the State House, Trenton, New Jersey
12 and at 4:40 p.m. on August 17, 1990 mailed to the
13 Press of Atlantic City and to the Newark Star Ledger
14 and to the Office of the Clerk of Atlantic City an
15 Annual Meeting Schedule setting forth the time, date
16 and location of this meeting.

17 "Members of the press will be
18 permitted to take photographs at today's meeting. We
19 would ask, however, that this be done in a manner
20 which is not disruptive of the meeting or distracting
21 to the Commission and which does not interfere with
22 the public's right to observe the meeting."

23 ACTING CHAIR ARMSTRONG: Thank you,
24 Ms. Biache.

25 Good morning everyone. We call this

1 hearing to order and I note the presence today of all
2 five Commissioners. I also note the presence of
3 counsel, Mr. Ribis, Mr. Fusco, and Mr. Auriemma.

4 The petitioners in this matter are
5 the Trump Castle, Trump Plaza and Trump Taj Mahal
6 casino licensees. They seek various items of relief
7 with respect to the restructuring of some of the debt
8 related to the three casinos and other assets owned by
9 Donald Trump.

10 The total debt of all Trump entities
11 is approximately 3.3 billion dollars. 1.3 billion
12 dollars is casino-related bond debt which is not
13 affected by the restructuring. The remaining two
14 billion dollars is bank debt, approximately one
15 billion dollars of which is the subject of the
16 restructuring.

17 There are two essential
18 restructurings documents, the Credit Agreement and the
19 Override Agreement.

20 Under the Credit Agreement, seven
21 banks will grant a 65 million dollar line of credit to
22 Trump. The initial draw will be 40 million dollars,
23 20 million dollars of which will replace 20 million
24 dollars previously loaned to meet an interest payment
25 on the Trump Castle bonds. The remainder is to be

1 used in accordance with the business plan.

2 Interest on borrowings under the
3 Credit Agreement will be payable currently. Principal
4 repayment will be deferred until the agreement
5 expires. The agreement is for three years, extendible
6 to five years at Trump's option if he satisfies
7 various conditions, including supplying a new business
8 plan acceptable to the seven banks covering the
9 additional two years.

10 The Override Agreement is between
11 Trump and the nine banks which hold the one billion
12 dollars in restructuring debt, 840 million dollars of
13 which affords potential recourse to Trump, because it
14 is guaranteed by him or is debt of a partnership in
15 which he is a general partner. The nine banks include
16 the seven signatories to the Credit Agreement. The
17 principal, and in most cases, the interest on the one
18 billion dollars will be deferred for five years. In
19 addition, the banks will observe a five year
20 moratorium on recourse against Trump.

21 For his part, Trump has agreed to
22 pledge all of the equity in the casino companies. The
23 pledge will secure in order of priority, payments on
24 certain existing, but presently unsecured debts
25 referred to as the Special Collateral. Payments on

1 the 65 million dollar line of credit and interest
2 payments on the one billion dollars in deferred debt.
3 The Special Collateral debts include the 108 million
4 dollars in casino-related debt, consisting of a 75
5 million dollar loan to Trump Taj Mahal Realty
6 Corporation, a 13 million dollar line of credit to
7 Trump Castle Associates, and a 19.6 million dollar
8 line of credit to Trump Plaza Associates.

9 Under the Credit and Override
10 Agreements, Trump must also implement the business
11 plans, adopt accounting controls and business
12 procedures, and appoint a senior financial officer.
13 The business plans, business procedures, accounting
14 controls, and the identity and job description of the
15 senior financial officer must all be reasonably
16 satisfactory to the banks.

17 Trump has also agreed to cause his
18 companies to dividend to him all cash not required to
19 be held in the ordinary course of business, or, in the
20 case of the casinos, not required to be retained in
21 the operating companies by this Commission. Because
22 of restrictions on his personal finances, the
23 dividends will make funds available for debt
24 repayment.

25 As long as there is any outstanding

1 loan under the Credit Agreement, the seven signatory
2 banks may declare a default by a vote of the holders
3 of two-thirds of the outstanding amount of the loan,
4 upon the occurrence of an event of default. Events of
5 default include a payment default under the Credit
6 Agreement; the breach of any term of the Credit
7 Agreement; the failure to keep any loan document in
8 full force and effect; a payment default on any
9 indebtedness of Trump or his affiliates, other than
10 the Trump Shuttle, of over five million dollars; a
11 bankruptcy or other judicial declaration of insolvency
12 by Trump or any of his affiliates; the failure of
13 Trump or any of his affiliates to make payments to
14 certain employee benefits plans; any judgment of over
15 five million dollars against Trump or his affiliates,
16 other than the Trump Shuttle, which remains unpaid for
17 80 days; any material adverse change in the condition,
18 financial or otherwise, of Trump or his affiliates;
19 any governmental action which materially and adversely
20 affects the ability of Trump and his affiliates to
21 operate the casinos; any restructuring of the equity
22 of any casino company; and Trump's death or
23 incapacity.

24 Events of default also include the
25 breach of covenants which require Trump, among other

1 things, to pay taxes on all of his assets, maintain
2 insurance on all of his assets, limit cash in his
3 companies to the amount needed for operations, abide
4 by the business plan, appoint a senior financial
5 officer and implement business procedures and
6 accounting controls.

7 If a default is declared following
8 any event of default, the seven banks may take any
9 action provided in the Credit Agreement, including
10 foreclosing on the equity in the casinos.

11 The Override Agreement enumerates
12 uniform events of default which are substantially the
13 same as the events of default in the Credit Agreement,
14 but also include payment defaults under the Override
15 Agreement. If a default has been declared under the
16 Credit Agreement or there is no loan outstanding under
17 the Credit Agreement, and a uniform event of default
18 occurs, the nine banks can declare a default by a vote
19 of the holders of two-thirds of the amount of the
20 deferred debt. The banks may then exercise any remedy
21 under the Override Agreement, including terminating
22 the agreement and foreclosing on the casino equity.

23 On the basis of this brief overview
24 of two very complex documents, I will address the
25 items of relief requested by the petition. These fall

1 into two general categories: Those relating to
2 approval of the pledges of the casino equity, and
3 those relating to the approval of the Credit and
4 Override Agreements.

5 Approval of the pledges is mandated
6 by the Casino Control Act, specifically Section 82 (d)
7 (7), which requires prior Commission approval of the
8 transfer of securities of a nonpublicly traded casino
9 licensee; Section 44, which defines a security as
10 including an instrument evidencing a creditor
11 interest, and Section 47.2, which defines a transfer
12 as including the fixing of a lien. In addition, the
13 casino license resolutions require preapproval of
14 transfers of interest in the licensees and the
15 corporate partners in the licensees, and the
16 partnership agreements and corporate charters require
17 the same approval.

18 Section 82 (d) (7) does not set forth
19 any criteria for the approval of securities
20 transfers. Obviously, the Commission must look to the
21 policies of the Act. Most relevant here are the
22 policy of prohibiting any involvement of unqualified
23 persons in the ownership or operation of casinos; and
24 the policy of promoting continuity and stability of
25 casino operations, including the requirement that

1 casino licensees maintain financial stability,
2 integrity and responsibility.

3 As to the matter of qualification,
4 petitioners request a ruling that the Credit and
5 Override Agreement banks are exempt under Section 85
6 (c) of the Act. That section exempts a banking or
7 other licensed lending institution which holds a
8 mortgage or other lien acquired in the ordinary course
9 of business.

10 As I have already indicated, the
11 banks have a role in the Trump reorganization beyond
12 that normally enjoyed by a lender. I refer to such
13 matters as their approval authority over the business
14 plan, the senior financial officer, and the use of
15 cash generated by Trump businesses as well as their
16 ability to block any restructuring of the equity in
17 the casino companies.

18 It could be argued that banks in such
19 a position should not be exempted from qualification.
20 Section 85 (c) could also be read as providing that a
21 bank which has the ability to control a casino
22 licensee is nonetheless exempt from qualification. I
23 do not think we need decide that issue because I do
24 not believe that the banks in question have sufficient
25 control to require their designation as qualifiers.

1 In reaching that conclusion, I am mindful that
2 petitioners must establish the suitability of these
3 banks as financial sources under Section 84 (b).

4 While petitioners concede that the
5 seven Credit Agreement banks are financial sources,
6 they request a ruling that the nine Override Agreement
7 banks are not. The Override Agreement grants a lien
8 on the equity in three casinos. There is no question
9 that such a lien bears a relation to the casinos under
10 Section 84 (b), and that the banks are thus financial
11 sources.

12 A further financial source issue
13 arises from the fact that seven of the loans covered
14 by the Override Agreement have assignee or participant
15 banks. The Commission has consistently held that all
16 members of a bank syndicate which funds a loan within
17 the purview of Section 84 (b) must qualify as
18 financial sources. This is in keeping with the
19 requirement of Section 84 (b) that all holders of an
20 evidence of indebtedness which bears any relation to a
21 casino must qualify. However, the Commission has also
22 ruled that certain participant banks will not be
23 deemed financial sources. The ruling covered
24 instances where the participant merely received a
25 right to share in the loan proceeds, and had no right

1 in the collateral and no voice in how to proceed in
2 the event of a default. The Commission found the
3 interest of such participants too attenuated to bear
4 any relation to the casino.

5 Some of the participants under the
6 seven loans in question fit within this prior ruling,
7 while several others do not, because they have voting
8 rights with respect to the declaration of a default.
9 However, petitioners argue there are other factors
10 which minimize the significance of these voting
11 rights.

12 First, as long as there is an
13 outstanding loan under the Credit Agreement, the
14 lenders under the Override Agreement are prevented
15 from declaring a default unless the lenders under the
16 Credit Agreement have done so. This imposes a layer
17 of decision making prior to any action by the Override
18 Agreement banks.

19 In addition, if there is a uniform
20 event of default under the Override Agreement, a
21 default can only be declared by a two-thirds vote of
22 the nine banks. A participant or assignee bank would
23 have, at most, the right to vote as to how the lead
24 bank in its consortium, as one of the nine Override
25 Agreement banks, would vote with respect to a

1 default. This is another level of dilution of voting
2 power of the participants and assignees.

3 Finally, the Override Agreement banks
4 vote in proportion to the amount of recourse debt that
5 they hold. The seven loans covered by the Override
6 Agreement, which have assignees or participants have
7 between 1.6 percent and 16 percent of the total
8 recourse debt. Thus, these loans have relatively
9 small input into the 66 and two-third percent vote
10 needed to declare a default.

11 In identifying financial sources, the
12 Commission has considered not only potential control,
13 but also potential economic benefit. Petitioners
14 contend that the participant and assignee banks
15 receive limited benefit from the pledge of the casino
16 equity because the pledge only secures repayment of
17 the interest on the deferred debt, and at the outset
18 of the Override Agreement there will be no interest
19 due. Petitioners also point out that the lien on
20 casino equity is of limited benefit because it will be
21 junior to the liens securing existing debt, Special
22 Collateral debt, and Credit Agreement debt.

23 In my view, the ability of the
24 participant and assignee banks to cause the exercise
25 of remedies upon default is sufficiently remote, and

1 the benefit to them from the pledge of the casino
2 equity is sufficiently limited, so that the Commission
3 may conclude that the liens of these banks do not bear
4 any relation within the meaning of Section 84 (b).

5 The only exception I would make is to
6 require qualification as financial sources of the two
7 participants in the 75 million dollar loan to Trump
8 Taj Mahal Realty Corporation because the holders of
9 that Special Collateral loan have the potential to
10 move independently against the equity in the Taj
11 Mahal.

12 Having dealt with all qualification
13 issues raised by the pledges of the casino equity, I
14 will turn to the financial stability issues.

15 Section 1 (b) 14 of the Act provides
16 that confidence in casino gaming operations is eroded
17 to the extent that the State of New Jersey does not
18 provide a regulatory framework that permits and
19 promotes stability and continuity in casino gaming
20 operations. Section 84 (a) requires all casino
21 licensees to establish their financial stability,
22 integrity and responsibility. The Commission has also
23 understood these Section 84 (a) criteria as intended
24 not only to promote a stable and robust casino
25 industry which can contribute to the redevelopment of

1 Atlantic City, but also to eliminate marginal
2 operators which may revert to the unscrupulous
3 practices which have plagued casinos in other
4 jurisdictions.

5 Petitioners request a ruling that the
6 Commission may approve the pledges of the casino
7 equity without considering the financial stability,
8 integrity and responsibility of the casino licensees
9 or the Trump Organization.

10 Petitioners note that the Commission
11 must consider these issues at all regularly scheduled
12 license hearings and can consider them at a reopened
13 hearing at any time. They argue that it is
14 unnecessary to perform a full-scale stability analysis
15 of the casino licensees and the Trump Organization in
16 order to approve the proposed transactions so long as
17 it can be demonstrated that these transactions will
18 have a positive effect on stability. If overall
19 stability needs to be reviewed, petitioners contend
20 that this can be done after they are permitted to
21 realize the benefits of the debt restructuring.

22 If the Commission is, in fact,
23 convinced that the restructuring will leave the
24 casinos more stable than it found them, petitioners'
25 contention that we need not conduct a full stability

1 analysis at this point is persuasive. Whether the
2 record establishes the salutary effect of the
3 restructuring is, however, a difficult and troublesome
4 question.

5 It is obvious that the restructuring
6 will confer substantial benefits on the Trump
7 Organization, and on the casinos as assets of that
8 organization. There will be 65 million dollars in
9 fresh capital, and the debt service on one billion
10 dollars in existing loans will be deferred. There
11 will also be a moratorium on recourse against Mr.
12 Trump which will have the effect of protecting his
13 assets, including the equity in the casinos from
14 creditors. All of these provisions will surely have a
15 stabilizing effect. In addition, the deferral of debt
16 service on 108 million dollars in casino related loans
17 will have a direct stabilizing effect on the casinos.

18 On the other hand, there are features
19 of this restructuring which could be extremely
20 destabilizing to the casinos. Absent the
21 restructuring, if one of the casinos were to default
22 on its existing debt, it would presumably attempt to
23 reach an accommodation with its lenders, such as a
24 debt-for-equity exchange. Failing that, it might
25 suffer a foreclosure of the casino hotel and a sale to

1 a qualified buyer in accordance with the Interim
2 Casino Authorization provisions of the Act. In the
3 alternative, it might go into bankruptcy and obtain
4 the benefits of an automatic stay of all of its
5 obligations and an ultimate reorganization with a
6 lessened debt burden.

7 The Commission has dealt with all of
8 these alternatives in the past and could surely deal
9 with any of them again with respect to a Trump
10 property. As of today, none of these alternatives
11 with respect to one Trump casino would necessarily
12 have any effect on the other two. If the
13 restructuring is effectuated, however, each of these
14 alternatives will be an event of default under the
15 Credit Agreement and a uniform event of default under
16 the Override Agreement, and could lead to a
17 foreclosure on the equity of all three properties.
18 Thus, the restructuring links the fate of the three
19 properties, and increases the likelihood that
20 financial problems at one would lead to foreclosure at
21 the others.

22 Even more disturbing is the link the
23 restructuring forges between the fate of the casinos,
24 and that of other Trump assets. If, for example, the
25 Trump Shuttle goes into bankruptcy, or employee

1 benefit fund payments are not made at the New York
2 Plaza Hotel, or real estate taxes are not paid on the
3 Penn Railroad Yards, the Credit and Override Agreement
4 banks could call a default, and, having obtained a
5 secured position with respect to the casino equity,
6 could satisfy outstanding obligations from that
7 equity.

8 We are thus being asked to tie the
9 fate of the three casinos to a host of events which
10 have nothing to do with their individual or collective
11 financial condition. We are being asked to do this
12 without holding a hearing on the financial stability
13 of the Trump Organization, and thus without being able
14 to gauge with any precision the likelihood that
15 various events of default will occur.

16 We are also being asked to approve a
17 restructuring which would substantially limit the
18 ability of the individual Trump casinos to reach an
19 accommodation with their bondholders, as well as the
20 ability of the Trump Organization to make a public
21 offering of equity in a common casino holding
22 company. If all of the equity in the casinos is
23 pledged to the Credit and Override Agreement banks,
24 equity cannot be offered to bondholders or the public
25 without the agreement of those banks.

1 During the prehearing process,
2 petitioners put forth their theory as to why the
3 Commission should allow the pledge of the casino
4 equity without holding a financial stability hearing.
5 As set forth in the second prehearing conference
6 order, petitioners' argument is essentially this: The
7 Trump Organization is now in default on loans on most
8 of its noncasino assets; the Trump Organization lacks
9 the resources to pay this debt, a substantial portion
10 of which is resource to Mr. Trump; therefore, if the
11 restructuring is not approved, creditors will be able
12 to obtain judgments against Mr. Trump and ultimately
13 reach his personal assets including the casino
14 equity. In essence, we are being told that
15 foreclosure on the casino equity, whether through
16 judgments or bankruptcy of the Trump Organization, is
17 a virtual certainty without this restructuring, but
18 may be avoided if the restructuring is consummated.

19 Petitioners have been understandably
20 reluctant to proclaim the financial woes of the Trump
21 Organization from the witness stand. However, the
22 report of the Division of Financial Evaluation and
23 Control of the Commission staff reveals that there are
24 currently 540.5 million dollars in past due debt
25 maturities, of which 240.5 million dollars is

1 personally guaranteed by Mr. Trump. For the next nine
2 months, ending on April 30, 1991, there will be
3 another 169.5 million dollars in debt maturities.
4 Projected cash flows for the nine months, without
5 giving effect to the Credit or Override Agreements,
6 shows a deficiency for each month, ranging from eight
7 to 18 million dollars. Extending cash balance as of
8 April 30, 1991, is projected to be negative 68 million
9 dollars.

10 The report of Trump accountants
11 Kenneth Leventhal & Company tells much the same
12 story. Mr. Cerabino testified that, based on the
13 Leventhal report, the Trump Organization does not have
14 the resources to pay its past due noncasino debts. As
15 to the casinos, the August 15, 1990 update to the
16 report reveals that operating results are below
17 projections, and concludes that in the circumstances,
18 there can be no assurance that the operating results
19 of the individual casinos will improve or alternative
20 means can be devised to satisfy the obligations
21 presently payable or becoming due in the next year.

22 This is obviously a situation in
23 which there are no good answers for Mr. Trump or for
24 New Jersey. Whether we approve or disapprove this
25 restructuring, our action will be fundamentally

1 unsettling. However, I come down in favor of the
2 restructuring because I am persuaded of two things.

3 First, it is clear that, absent some
4 form of restructuring, the casino equity will be
5 reached by creditors holding liens on noncasino
6 assets. Second, in view of the enormous amount of
7 time and effort put into this proposal, and in view of
8 the absence of noncasino assets in which the Trump
9 Organization has substantial equity, it is highly
10 unlikely that rejection of this proposal will lead to
11 another restructuring which will not include a pledge
12 of the casino equity. In sum, I find that the risk of
13 substantial economic disruption at the casinos will be
14 less with the restructuring than it is without it.

15 I therefore move that the Commission
16 approve the pledges of the equity in Trump Plaza
17 Associates, Trump Castle Associates, Trump Taj Mahal
18 Associates and Trump Hotel Management Corporation to
19 the Credit Agreement and the Override Agreement
20 signatory banks, subject to the conditions proposed by
21 the Division of Gaming Enforcement. I further move
22 that the Commission find that the Credit Agreement and
23 the Override Agreement signatory banks, as well as the
24 lead and participant banks on the 75 million dollar
25 Trump Taj Mahal Realty Corporation loan, are suitable

1 as financial sources.

2 Is there a second?

3 COMMISSIONER BURDGE: Second.

4 ACTING CHAIR ARMSTRONG: Comment or
5 discussion on that motion?

6 If not, all those in favor?

7 COMMISSIONER WATERS: Madam Chair, I
8 just have some brief comments at this point.

9 It is with a great deal of reluctance
10 that I intend to support the motion. My reluctance
11 stems from the fact that this workout plan leaves the
12 Trump Organization with over one billion dollars of
13 casino debt which has not been addressed. I don't
14 want this to be construed as criticism of the Trump
15 Organization. I am sure they would have liked to have
16 it otherwise. However, we have been told that it was
17 impossible to get the consortium of banks to
18 participate in the workout which would encompass all
19 of the Trump debt. This says something about the
20 banks' interest in this matter and I think its failure
21 to recognize the public interest in trying to deal
22 with the entire situation. I have no reason to doubt
23 that claim as made by representatives of Trump, and as
24 a result, I would expect Trump to present a plan
25 within a short time frame, as suggested by the

1 Division, which hopefully will enable the
2 extinguishment of a substantial portion of the
3 remaining debt. Without such a plan, based on the
4 reports of our Financial Evaluation Division and the
5 Division of Gaming Enforcement, it's obvious that
6 revenue from the Trump casino properties will not
7 service that debt, and, thus, financial stability of
8 those properties will be in danger.

9 In the past two weeks we have dealt
10 with two examples, Griffin and Trump, of the problems
11 created by taking on debt obligations which cannot be
12 serviced by the existing level of casino revenues.
13 Those organizations are not the only casino entities
14 which have an excessive debt structure. I would hope
15 that those other entities will note the experience of
16 Griffin and Trump and will take those steps necessary
17 to avoid a similar fate.

18 Recently, the media has publicized
19 the fact that many of the casinos are failing to turn
20 a net profit. The Casino Association, when responding
21 to this situation, predictably sounds like the voice
22 of doom and looks to government to effect a
23 turnaround. Governmental action is not the solution,
24 nor should it be. The casino industry itself has the
25 wherewithal to bring about the needed recovery.

1 While the recent economic downturn
2 has seriously affected many industries, real estate
3 development and housing, retail establishments,
4 automobile manufacturers and others, the impact on the
5 casino industry has been relatively mild. Gross
6 revenues for the six months ending June 30, 1990 in
7 the casino industry shows approximately a four percent
8 increase over a like period in 1989. While that
9 increase is not running at a rate as great as that
10 experienced in prior years, it doesn't mean that the
11 Atlantic City casino industry is on the verge of
12 failure. However, that could occur if the industry
13 continues to fail to look within itself for the
14 solution. The industry cannot continue to give away
15 exorbitant amounts in the form of promotional expenses
16 and allowances, compensate its executives without
17 regard to performance, fail to control employee
18 turnover and fail to restructure debt in order to
19 reduce debt service.

20 I would, accordingly, urge the
21 industry to give serious consideration to effecting
22 improvements in the foregoing areas as soon as
23 possible. In other words, the time is now!

24 ACTING CHAIR ARMSTRONG: Thank you,
25 Commissioner.

1 Any further comment or discussion on
2 the motion as made and seconded?

3 If not, all those in favor?

4 The motion carries unanimously.

5 (All Commissioners present voted in
6 favor of the motion)

7 ACTING CHAIR ARMSTRONG: Obviously, I
8 do not view this restructuring as the total solution
9 to the financial problem of the Trump Organization or
10 the casino licensees. Many difficulties lie ahead,
11 including the 47 million dollar Taj Mahal bond payment
12 due on November 15.

13 Having based my conclusion that the
14 pledge should be approved on the evidence concerning
15 the Trump Organization's financial distress, it
16 follows that we must hold a full financial stability
17 hearing as soon as possible. The Casino Control Act
18 requires all casino enterprises to maintain financial
19 stability, integrity and responsibility. We have
20 approved the pledges without inquiring into whether
21 the three Trump properties continue to meet these
22 standards, and it is surely our obligation to conduct
23 that inquiry as quickly as we can. In order that the
24 matter does not linger, I move that the Commission
25 reopen the casino license hearings with regard to the

1 three Trump properties and that we schedule a combined
2 hearing on all the licensees to begin during the month
3 of October 1990. If the motion is adopted, I will
4 begin the prehearing process within the next several
5 weeks.

6 Is there a second?

7 COMMISSIONER WATERS: Second.

8 ACTING CHAIR ARMSTRONG: Comment or
9 discussion?

10 All those in favor?

11 The motion carries unanimously.

12 (All Commissioners present voted in
13 favor of the motion)

14 ACTING CHAIR ARMSTRONG: I will now
15 turn to petitioners' request for approval of the
16 Credit and Override Agreements.

17 Section 104 (b) of the Act requires
18 casino licensees to keep records of agreements
19 concerning the business of the casino hotel; and gives
20 the Commission the discretionary authority to review
21 such agreements on the basis of the reasonableness of
22 their terms, including the terms and compensation, and
23 the qualifications of the parties involved.

24 The Credit and Override Agreements
25 are clearly covered by Section 104 (b). While

1 preapproval of these agreements is not mandated, it
2 has been requested by petitioners.

3 Petitioners seek approval of the
4 agreements in their entirety, specifically including
5 the facility fee provisions of the Override Agreement.

6 Under the Override Agreement, an
7 interim facility fee is payable in connection with any
8 capital event, that is, any sale, refinancing or
9 equity offering involving the casinos and occurring
10 prior to the determination date. The determination
11 date is defined as the earlier of the date on which
12 all the debt obligations covered by the Override
13 Agreement are paid in full and June 30, 1995. In
14 addition, if Trump owns any equity in any of the
15 casinos on the determination date, the banks will be
16 entitled to receive a final facility fee.

17 For each casino capital event
18 occurring prior to the determination date, the
19 facility fee will be 10 percent of the net cash
20 proceeds, if any, received by Trump. While the
21 definition of net cash proceeds is complex, in the
22 broadest terms it refers to proceeds after the payment
23 of transaction costs and certain covered debt
24 obligations under the Override Agreement relating to
25 the casinos.

1 The final facility fee will be 10
2 percent of the appraised amount of Trump's remaining
3 equity interest in the casinos on the determination
4 date. The appraised amount is defined generally as
5 the fair market value of Trump's remaining equity
6 interest minus, among other things, the amount of
7 covered debt obligations.

8 Despite its complexity, the idea
9 behind the facility fee is simple -- to give the banks
10 a 10 percent share of Trump's equity in the casinos.

11 The facility fee, like the equity
12 pledges, is part of the consideration for the new
13 credit facility, the debt service deferral and the
14 personal recourse moratorium. As such, it is
15 reasonable. However, I note that it constitutes a
16 security interest in the casino licensees, which,
17 absent the bank exemption, would require its holders
18 to qualify. Were we not dealing with banks, we would
19 surely hold, as we have held in the past, that the
20 right to receive the value of an equity interest is
21 indistinguishable from the right to hold that equity
22 interest for purposes of qualification under Section
23 85 (c) of the Act.

24 I am not aware of any other
25 provisions of the Credit and Override Agreements which

1 require comment, and I move that they be approved
2 under Section 104 (b).

3 Is there a second?

4 COMMISSIONER HURLEY: Second.

5 ACTING CHAIR ARMSTRONG: Comment or
6 discussion?

7 All those in favor?

8 The motion carries unanimously.

9 (All Commissioners present voted in
10 favor of the motion)

11 ACTING CHAIR ARMSTRONG: Petitioners
12 also request approval of amendments to the Trump Plaza
13 Associates, Trump Castle Associates and Trump Taj
14 Mahal Associates partnership agreements. These are
15 technical amendments necessary to implement the
16 pledges. As we have approved the pledges, I move that
17 we approve the amendments.

18 Is there a second?

19 COMMISSIONER WATERS: Second.

20 ACTING CHAIR ARMSTRONG: Comment or
21 discussion?

22 All those in favor?

23 The motion carries unanimously.

24 (All Commissioners present voted in
25 favor of the motion)

1 ACTING CHAIR ARMSTRONG: Petitioners
2 next request approval of a lease from Trump Crystal
3 Tower Associates to Trump Plaza Associates and an
4 assignment of rents to Manufacturers Hanover Trust
5 Company.

6 Manufacturers loaned Trump Crystal
7 Tower up to 85 million dollars to purchase and
8 refurbish the former Atlantis Casino Hotel, now the
9 Regency. Crystal Tower plans to lease the Regency to
10 Trump Plaza for four years. The base rent will be 50
11 percent of the debt service on the Manufacturers loan
12 in the first year, 75 percent in the second year and
13 100 percent in the third and fourth years. Crystal
14 Tower proposes to assign these rents to
15 Manufacturers. The remainder of the debt service on
16 the loan will be deferred under the Override
17 Agreement. There will also be an additional rent
18 equal to all operating costs of the Regency.

19 Clearly, the lease and assignment of
20 rents are subject to review under Section 104 (b).
21 These agreements will effectively allow Manufacturers
22 to look to Trump Plaza for partial repayment for its
23 loan to Trump Crystal Tower. This arrangement is in
24 accordance with the Special Collateral provisions.
25 Petitioners contend, and I have no reason to disagree,

1 that the transaction has a legitimate business purpose
2 for Trump Plaza because it can use the 500 rooms at
3 the Regency as part of its casino hotel.

4 I therefore move that we approve the
5 lease and assignment of rents. Petitioners can work
6 with our staff to resolve the regulatory implications
7 of using the Regency in connection with the Plaza.

8 Is there a second?

9 COMMISSIONER DODD: Second.

10 ACTING CHAIR ARMSTRONG: Comment or
11 discussion?

12 All those in favor?

13 The motion carries unanimously.

14 (All Commissioners present voted in
15 favor of the motion)

16 ACTING CHAIR ARMSTRONG: Petitioners
17 next seek approval of a mortgage and assignment of
18 leases from Seashore Four Associates to First Fidelity
19 Bank and Bankers Trust Company.

20 Seashore Four owns and leases to
21 Trump Plaza part of the realty under that facility.
22 Seashore Four is owned by Donald Trump and holds a
23 casino service industry license.

24 First Fidelity has issued a letter of
25 credit to secure Seashore Four's debt to another bank

1 in connection with the purchase of the land.

2 As part of the Special Collateral
3 provisions, First Fidelity will defer Trump's
4 obligation to repay money drawn under the letter of
5 credit and will renew the letter of credit. In
6 exchanges, Seashore Four will grant First Fidelity a
7 mortgage on the land, an assignment of the lease and
8 the right to the rent.

9 In addition, Seashore Four will grant
10 Bankers Trust, as agent for the banks under the Credit
11 Agreement, second and third mortgages on the land and
12 subordinated assignments of lease and the right to
13 receive the rents. The second lien will secure loans
14 under the Credit Agreement and the third lien will
15 secure payment of deferred interest under the Override
16 Agreement.

17 Again, this is a Section 104 (b)
18 transaction. I believe it is reasonable, and I move
19 that we approve it.

20 Is there a second?

21 COMMISSIONER BURDGE: Second.

22 ACTING CHAIR ARMSTRONG: Comment or
23 discussion?

24 All those in favor?

25 The motion carries unanimously.

1 (All Commissioners present voted in
2 favor of the motion)

3 ACTING CHAIR ARMSTRONG: Finally,
4 petitioners seek approval of an amendment to a
5 collateral assignment and general security agreement
6 between Trump Hotel Management Corporation and First
7 Fidelity.

8 Under the Taj Mahal management
9 contract, Trump Taj Mahal Associates is to pay Trump
10 Hotel Management a 10 million dollar fee for services
11 rendered in connection with the construction of the
12 hotel, as well as the semi-annual management fee of
13 1.7 percent of gross revenues.

14 As I previously noted, First Fidelity
15 has loaned Trump Taj Mahal Realty Corporation 75
16 million dollars. The loan is secured by a mortgage on
17 certain land adjacent to and used in connection with
18 the Taj Mahal. In addition, payment is guaranteed by
19 Trump Hotel Management and Donald Trump. To secure
20 its guarantee, First Fidelity was granted a lien on
21 the management contract.

22 The agreement is to be amended to
23 provide the obligation to pay the 10 million dollar
24 construction fee will be deferred for five years and
25 evidenced by a note which will be pledged to First

1 Fidelity. In addition, payment of the semi-annual
2 management fee will be deferred for three years, with
3 the funds which would have gone to the fee to be used
4 in connection with the Taj Mahal, including payment of
5 construction contractors' claims. The deferred
6 payment will be evidenced by a note pledged to First
7 Fidelity.

8 The amendment to the agreement comes
9 within Section 104 (b). It will enhance the stability
10 of the Taj Mahal entities, and I therefore move to
11 approve it.

12 Is there a second?

13 COMMISSIONER WATERS: Second.

14 ACTING CHAIR ARMSTRONG: Comment or
15 discussion?

16 All those in favor?

17 The motion carries unanimously.

18 (All Commissioners present voted in
19 favor of the motion)

20 ACTING CHAIR ARMSTRONG: And I
21 believe that that disposes of all of the issues before
22 us.

23 There being nothing further, we stand
24 adjourned.

25 (At which time the hearing was

1 concluded at 11:37 a.m.)

2

3 C E R T I F I C A T E

4

5 I, CAROLYN GERBER, a Certified Shorthand
6 Reporter and a Notary Public of the State of New
7 Jersey, do hereby certify the foregoing to be a true
8 and accurate transcript of my original stenographic
9 notes taken at the time and place hereinbefore set
10 forth.

11

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Carolyn Gerber

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CAROLYN GERBER, CSR

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18 Dated: August 21, 1990.

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